



Director of
Central
Intelligence

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OCO/CE

National Intelligence Daily (Cable)

17 November 1982

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CPAS NIDC 82-268C

17 November 1982

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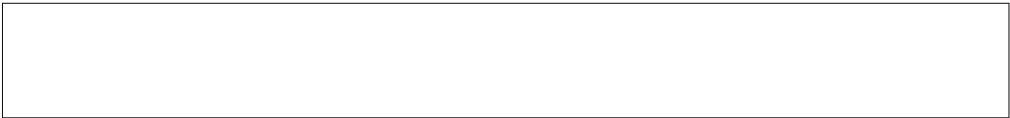


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USSR-CHINA: Foreign Ministers' Meeting

Moscow and Beijing used their highest level bilateral meeting since 1969 to emphasize a mutual interest in improving relations.

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According to TASS, Soviet Foreign Minister Gromyko yesterday told his Chinese counterpart, Huang Hua, that the USSR will continue to strive for normal relations. Huang Hua responded that China hopes relations will be gradually normalized "by joint efforts."

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TASS also said it was agreed during the short meeting that the political dialogue should continue. Chinese media reported that the foreign ministers exchanged views on eliminating "obstacles" to improved relations in a "candid but peaceful atmosphere."

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On Monday, General Secretary Andropov singled out Huang Hua at Brezhnev's funeral reception for his longest conversation with any foreign delegation leader. In addition, the Soviets included the Chinese on the list of delegations from "fraternal parties."

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Comment: Although both countries have used the occasion of Brezhnev's death to give new impetus to the search for better relations, neither side has indicated it is ready to make important concessions. By its cool characterization of the talks and by mentioning "obstacles," Beijing is implying it is still waiting for a response to its demands on such key issues as Kampuchea, Afghanistan, and the Soviet military presence along China's border.

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Before the next round of talks, which probably will occur early next year, the new leadership in Moscow will have to review its options in light of the exploratory discussions in Beijing. Although General Secretary Andropov has been deeply involved in setting Soviet policy toward China for 25 years, he is likely to try to exploit the current positive atmospherics. He may make some conciliatory gesture toward China before talks resume.

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EL SALVADOR - Honduras: Combined Operation

//More than 5,000 government troops in El Salvador, supported by 1,500 troops from Honduras deployed along the border, are making good headway in their offensive against insurgents in Chalatenango Department.

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//Salvadoran Government forces have engaged some of the estimated 600 armed guerrillas at least 14 times since the offensive began last week. The government claims to have killed 127 guerrillas thus far, compared with losses of three dead and 45 wounded as of Sunday. No Honduran losses have been reported.//

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//The US defense attache says the planning and coordination of this campaign have been better than for previous counterinsurgency efforts. The Salvadoran forces' use of secure voice radios is limiting the guerrillas' ability to anticipate government tactics. The Honduran Air Force is providing forward control support for Salvadoran airstrikes against insurgent positions.//

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//Some military officials in both countries estimate that operations in Chalatenango can be terminated by the end of the week, although they admit that the main guerrilla force has yet to be engaged. They are redeploying units to block escape routes. In the past, the insurgents have demonstrated an ability to put up stiff resistance and then fade away with minimal losses.//

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Comment: The defeat of a large insurgent force in Chalatenango would further encourage the Salvadoran and Honduran Governments to organize a similar offensive to regain lost ground in Morazan Department.

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HUNGARY: Dissident Activity

A Hungarian dissident plans to attend the Lutheran Church's 10-day peace festival now under way in East Germany. He is trying to organize an independent peace movement in Budapest, but without religious sponsorship and in a way so as not to antagonize the regime. [REDACTED]

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Comment: The Hungarian appears to be the only representative from another East European country to attend what could be the most important gathering thus far of the unofficial East German peace movement. The attempt to establish an unofficial Hungarian peace group--which would be only the second such movement in Eastern Europe--reflects the recently increased activity among dissident intellectuals in Hungary. The regime is keeping an eye on such activities, which it probably fears could harm its chances of gaining favorable economic treatment from the West. [REDACTED]

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ITALY: Fanfani Takes Soundings

//President Pertini has designated Senate President Fanfani to begin discussions to form a new government. Fanfani, who is 74, has been prime minister four times. He recently said he would try to form a five-party government that would be open to a "constructive relationship" with the Communists.//

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Comment: //Fanfani's attempt to advance a similar proposal last year was rebuffed by the prospective coalition partners. He hoped to induce the Communists to go along with his program and perhaps even abstain during his government's vote of confidence by including "nonpolitical" technicians in the cabinet. Fanfani probably opposes a more extensive arrangement with the Communists, but he would like to avoid a serious conflict with them. Nevertheless, this gesture may be calculated primarily to convince the Socialists--who fear that a deal between the Christian Democrats and the Communists would undermine their political leverage--to be more forthcoming in the negotiations.//

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INTERNATIONAL: UN Resolution on START and INF

Mexico has proposed a UN resolution calling on the US and the USSR to reveal to the General Assembly during the current session their official negotiating positions on START and INF. The Soviet Ambassador to the Committee on Disarmament has indicated that Moscow is unhappy with the resolution and has suggested that separate US and Soviet consultations with the Mexicans be held this week.

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Comment: The Soviets would be inclined to abstain on the existing resolution but could vote for a revision if they can isolate the US from its NATO Allies and from nonaligned states. Most West European Allies would prefer to continue the current arrangement, under which the US and the USSR are invited to make general progress reports. They would be reluctant, however, to vote against a resolution calling for public disclosure of START and INF positions. Many nonaligned states will support the resolution, because they are irritated by the lack of progress made by the superpowers toward nuclear disarmament.

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USSR-CUBA: Possible Naval Visit

The two Soviet warships that recently left the Mediterranean are south of the Azores and proceeding west. [REDACTED]

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Comment: The ships may soon be joined by an oiler and a submarine. They may remain near the Azores for several days to monitor US ships scheduled to transit to and from the Mediterranean and then sail for the Caribbean and visit Cuba late next week. It has been 18 months since Soviet warships last called at Cuba. [REDACTED]

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USSR-ARGENTINA: Defense Ministers Meet

The Soviet press says that Defense Minister Ustinov has met with Argentine Defense Minister Vivot, who attended Brezhnev's funeral. TASS described the talks as friendly and useful and said that matters of mutual interest were discussed. [REDACTED]

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Comment: This is the first meeting between the top defense officials of the two countries. Ustinov almost certainly used the occasion to affirm the USSR's support for Argentine claims to the Falkland Islands and to restate Moscow's desire for expanded bilateral ties, including possible arms sales. [REDACTED]

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Special Analysis

USSR - EASTERN EUROPE: Problems in CEMA

The accession of Yuriy Andropov in the USSR will further strengthen Soviet activism in the Council for Mutual Economic Assistance. Increasingly serious economic problems and Soviet concern over implications of events in Poland are forcing the USSR and Eastern Europe to address long-unresolved issues in their economic relations. The inability of the heads of government to make much progress at their annual CEMA Council sessions has led to calls for a special summit meeting of party leaders. At the same time, fundamental differences--and perhaps uncertainty about the Soviet succession--have hampered preparations. The USSR hopes to reduce the need to aid the East Europeans but wants to limit their dependence on the West. It is proposing major changes in CEMA, including accelerated integration of planning and production. The East Europeans, however, are likely to resist further erosion of their economic and political autonomy. [redacted]

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Romania first proposed a summit of party leaders at the CEMA Council session in June 1980. Moscow initially was cool to the idea, but President Brezhnev endorsed it at the 26th Party Congress in February 1981. *Pravda* last month claimed the proposed meeting as a Soviet initiative, probably in an effort to control the agenda.

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Several East European sources say that the meeting is tentatively scheduled for next spring in Moscow. Warsaw Pact leaders are likely to discuss preparations next month when they gather in Prague.

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Moscow has long sought to revise CEMA pricing arrangements whereby the USSR sometimes pays world prices for inferior goods from East European countries while selling them oil and other raw materials at preferential prices. The Soviets may insist on payment in hard currency or goods that can be sold for hard currency for a larger portion of their exports to Eastern Europe.

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The Soviets, having reduced oil exports to several East European countries, argue that greater integration would aid conservation and the development of energy sources, particularly nuclear power. An influential

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Soviet economist contends that more efficient use of energy ultimately will require reorganizing the national economies of the CEMA countries. Moscow considers closer integration an essential step toward this end. []

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Developments in Poland and subsequent Western sanctions have intensified Soviet concern over the risks entailed in close economic ties with the West. While affirming the continued need for such links--on "equal" terms--Moscow advocates closer integration to reduce vulnerability to Western pressure. []

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The Soviets have long proposed expanding links across national lines among ministries, associations, and enterprises, establishing joint firms, and using party control mechanisms to enforce contracts within CEMA. Their most controversial new proposals aim at increasing the USSR's role in the national planning processes of CEMA members. An editorial in *Pravda* asserts that mere coordination of plans is no longer sufficient, and a Soviet diplomat says the USSR seeks to become an "active partner" in economic planning. []

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The USSR also may try to get CEMA to drop the principle of unanimity in favor of majority decisions. A Soviet scholar suggested this last summer, and a subsequent proposal in September for such a change in CEMA's bylaws reportedly aroused opposition in Eastern Europe. []

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Eastern Europe's Concerns

Moscow's partners have reacted with suspicion to the Soviet initiatives. The East Europeans generally have opposed increased authority for CEMA, fearing it would be an instrument for greater Soviet control. The Romanians and Hungarians in particular are likely to oppose Soviet moves to give CEMA more authority or to limit their trade with the West. []

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East European interests are more immediate and more specific, focusing on maintaining or increasing Soviet deliveries of fuel and other raw materials and

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on prices. The East Europeans are negotiating bilaterally to overcome their differences and develop a more unified position. []

Romania has been the most truculent member of CEMA, obstructing ambitious efforts at integration in the 1960s and 1970s. More recently, hard currency financial problems have led Bucharest to seek a closer economic relationship with CEMA. Bucharest wants to get substantial amounts of Soviet oil in exchange for investing in Soviet energy projects, but the USSR has shown little interest. []

In contrast to previous years, when Hungary was a vocal proponent of currency convertibility and price reform in CEMA trade, Budapest now is concentrating on maintaining its trade relations with the West to prevent any drive to make the CEMA group economically self-sufficient. The Hungarians also may fear that greater control at the CEMA level would threaten Budapest's program of decentralization within Hungary. []

Czechoslovakia's views probably are closest to those of the USSR. The Czechs are anxious for an early start on CEMA plan coordination for the 1986-90 period. Prague's complaint that other CEMA countries are not fulfilling existing agreements, however, has led it to emphasize this issue rather than propose new cooperation. []

Poland, East Germany, and Bulgaria have not spoken out much on CEMA issues. All three are interested in at least maintaining current levels of Soviet deliveries of energy and raw materials. []

Prospects

The Soviets and East Europeans are far apart on how extensive CEMA's authority should be and on the direction and scope of economic integration. The difficulty in agreeing on the timing and agenda for the economic summit suggests that major changes in CEMA will come slowly and that only a beginning will be made at the summit. Over the longer term, however, continuing economic problems may force the East Europeans to moderate their traditional concerns about loss of economic autonomy and agree to some of Moscow's plans for CEMA. []

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Special Analysis

NICARAGUA-HONDURAS: Insurgent Threat to the Sandinistas

The Sandinistas' recent declaration of a military emergency along Nicaragua's northern border reflects their growing concern about the increasing capabilities of insurgents based in Honduras. Sandinista military and security forces are the largest in Central America, however, and can counter any near-term challenge. Meanwhile, renewed efforts toward greater cooperation among the various insurgent factions have failed to make significant progress.

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After a lull in September, insurgent attacks from Honduras occurred almost daily during October. Most strikes were small harassment operations against Sandinista border posts and isolated patrols. Some recent attacks may have been diversions to infiltrate insurgent units from Honduras and establish base camps in Nicaragua.

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The insurgents also have conducted sabotage operations, and the destruction of several key bridges earlier this year indicates that they can disrupt the country's road network. In addition, an attack in August on a road construction camp caused an estimated \$1.2 million in damage.

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The personnel costs to the Nicaraguans have been high. The government has admitted losing 109 killed in the last three months, and the total thus far this year may be over 600. Several Cubans also have been killed.

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The Insurgent Groups

The attacks from Honduras are being carried out primarily by the Nicaraguan Democratic Front, the only insurgent group that has demonstrated a sustained military capability. It is led largely by former members of the Nicaraguan National Guard and includes disaffected Sandinistas, Miskito Indians, and other Nicaraguan dissidents. The Front now has an estimated 2,000 to 2,500 full-time, armed personnel, and it continues to grow rapidly.

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The Democratic Revolutionary Alliance, which is based in Costa Rica, is the other major anti-Sandinista organization. It is a loose federation led by revolutionary hero Eden Pastora and former Nicaraguan junta member Alfonso Robelo. The Alliance is trying to build a military capability while continuing propaganda aimed at undermining Western economic support for Managua.

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//A combination of Pastora's popular support in Nicaragua and the military strength of the Front would increase the threat to the Sandinistas. Efforts to coordinate the activities of the two organizations, however, are currently stalled. Pastora probably fears that cooperation with the Front would reinforce Sandinista charges that he has sold out to the former members of the National Guard.//

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Nicaraguan Response

//The Sandinistas have reacted to the insurgent threat from Honduras by continuing to strengthen their forces in the northern border area.

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The scope of counterinsurgency operations also appears to have increased in recent months.//

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//In addition, Managua recently extended a nationwide state of emergency. It suspended most civil liberties for another six months.//

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The Sandinistas' mounting fears are reflected in their increasing allegations of an imminent invasion from Honduras. They apparently are using the allegations to rally popular support, to deflect international criticism of their repressive policies, and to justify their continuing military buildup. Managua also recently issued a white paper alleging more than 400 incidents on the Honduran border during the past three years. [redacted]

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Outlook

//The insurgents probably realize that their hopes of overthrowing the Sandinistas hinge on massive popular support for an uprising and on defections from the Army. There is widespread dissatisfaction with the regime, mostly among the middle class. There is little evidence at this time, however, that popular support and Army defections will materialize.// [redacted]

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[redacted]

The Sandinistas, not wanting to appear the aggressors, have refrained thus far from major attacks on insurgent bases in Honduras. Nicaragua's recent election to the UN Security Council, however, may have reduced constraints on such actions. Moreover, if the insurgents become more unified and their threat continues to grow, Nicaragua is likely to ask Cuba for greatly expanded military support. [redacted]

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